



issues

OUR BUSINESS IS SMALL BUSINESS

FEBRUARY 2009

Volume XIX, No. 2

WORKERS' COMP RATES WILL INCREASE APRIL 1ST

Effective January 1st, workers' comp rates were reduced an average of 18.6%. This was the 6th straight rate yearly decrease and is due in large part to significant changes to the workers' comp law by the Florida Legislature in 2003. However, these savings to employers have been threatened by a recent decision by the Florida Supreme Court that struck down a limit on attorney fees that has been one of the reasons workers' comp rates are down over 60% since 2003.

Effective April 1, 2009, the state will increase workers' comp rates by 6.4%. The rate increase will affect all workers' comp policies written or renewed on or after April 1st, adding about \$172 million in insurance costs for Florida employers.

It is estimated that rates will need to go up as much as 18.6% over the next 2 years unless changes are made to the workers' comp system to minimize the impact of attorney involvement. This is very bad news for Florida employers given the state our economy is in.

ATTENTION CORPORATIONS & LLC'S: ANNUAL REPORT FILING IS NOW ELECTRONIC ONLY

Last month, we reminded you that all Florida corporations and limited liability companies (LLC's) are required to file an Annual Report with the State of Florida every year. The Annual Report is due by May 1st and costs \$150 for corporations and \$138.75 for LLC's.

In previous years, the State Division of Corporations would mail notices to all corporations and LLC's reminding them to file their Annual Report. **Please note:** Due to budget cuts, the state will NOT be sending reminder cards to companies needing to file Annual Reports in 2009, and **the only way you can file your Annual Report this year is via the Internet.**

You will need to go to www.sunbiz.org and search for your company name. The computer will pull up the information currently on file with the Division of Corporations, and you will need to review it and type in the necessary information. You will have to pay the filing fee with a credit card, and you will have the ability to print out a receipt.

If you do not have access to a computer, or if you need assistance filing your Annual Report online, please call the FUBA offices at 1-800-262-4483 and ask for Erin, Lance or Karen.

ARE YOU ELIGIBLE FOR THE RECOVERY REBATE CREDIT?

The Recovery Rebate Credit is a one-time benefit for people who did not receive the full Economic Stimulus Payment last year (2008) and whose circumstances may have changed, making them eligible now for some or all of the unpaid portion of the credit. The credit can either increase your tax refund or decrease the amount of tax you owe, but it will not be issued as a separate check.

People in the following categories may be eligible for credit this year:

- Individuals who did not receive an Economic Stimulus Payment.

- Those who received less than the full Economic Stimulus Payment in 2008 – \$600 per taxpayer; \$1200 if married filing jointly – because their income was either too high or too low.
- Families who gained an additional qualifying child in 2008.
- Individuals who could be claimed as a dependent on someone else's tax return in 2007, but who cannot be claimed as a dependent on another return in 2008.
- Individuals who did not have a valid Social Security number in 2007 but who did receive one in 2008.

How to get the Recovery Rebate Credit:

You need to claim the credit on IRS Form 1040, 1040A or 1040EZ. The instructions for these forms will show you which lines to use. The IRS will figure the credit for you in most cases by following the line-by-line instructions. If you are filing electronically, the software will figure the credit for you.

IF YOU REDUCE AN EMPLOYEE'S HOURS OR PAY, DOES THAT MAKE THEM ELIGIBLE FOR UNEMPLOYMENT BENEFITS?

With decreases in revenues due to the poor economy, many Florida businesses are not able to keep their employees at full-time pay rates. An increasingly common question is whether reducing an employee's hours or pay affects their ability to file for unemployment benefits. In some circumstances, an employee can still be working, but because their wages have been reduced significantly, they may be entitled to unemployment benefits.

The maximum weekly amount of unemployment benefits is \$275 per week. This is the maximum amount for employees who have earned at least \$7,150 in their highest-earning calendar quarter. Individuals earning less than this amount are entitled to lower weekly benefits.

If an employee working less than full-time earns at least \$275 or more per week, that employee is not considered "unemployed" and will not be eligible for benefits. In this case, reducing the employee's hours does not make him or her eligible for unemployment.

However, if an employee's hours are cut to the point that their wages for the week are less than \$275, they would be eligible for unemployment benefits. These benefits would be paid from the employer's account and would most likely result in the employer's tax rate going up the next year.

One possible option to avoid this situation is a Short Time Compensation program (STC), which is a temporary alternative work style designed to assist employers in keeping their work force intact. Under an approved STC, a firm that faces a 20% reduction in production may lay off one-fifth of its workforce. By reducing hours instead of laying off employees, a company could retain its total work force. For example, reducing the work schedule from a 5-day workweek to a 4-day workweek could cut costs without reducing the number of employees. Employees would receive wages from the employer based on 4 days of work, plus partial unemployment benefits.

To be eligible for an STC, an employer must use reduced hours as a temporary solution to avoid a temporary layoff and must submit a Short Time Compensation plan to the state. Participating employees must work at least 32 hours a week, and they must have a set number of hours they work each week. STC benefits are payable when normal hours of work are reduced by 10 to 40%. Each week that STC benefits are claimed, at least 10% of the employees from the total staff must be working reduced hours. (Two employees is the minimum for a staff with fewer than 20 employees.)

For more details about the program, or for a Short Time Compensation application, please call the FUBA offices and ask for Erin, Karen or Lance.